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C O N F I D E N T I A L SECTION 01 OF 04 MANAGUA 002741

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DEPARTMENT FOR WHA/CEN

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TAGS: [PGOV](#) [PINR](#) [PREL](#) [KDEM](#) [ECON](#) [ENGR](#) [MARR](#) [PTER](#) [NU](#)
SUBJECT: DISCUSSIONS ON NEXT STEPS WITH FSLN INTERMEDIARY
SANTOS

REF: A. MANAGUA 2724
[B](#). MANAGUA 2691
[C](#). MANAGUA 2611
[D](#). MANAGUA 2608

Classified By: Ambassador Paul A. Trivelli. Reasons 1.4 (B,D).

[1](#). (C) Summary: During Sandinista National Liberation Front (FSLN) Foreign Affairs Secretary Samuel Santos' recent meeting with DCM and polcouns, he confirmed his appointment as Foreign Minister and requested to meet with State Department officials in Washington before President-elect Daniel Ortega's inauguration. Underscoring the need for the new government to ensure the security of U.S. citizens and their investments in Nicaragua, the DCM noted that new National Assembly reform bill (Ref. A.) allowing the legislature to summon foreign individuals and entities to testify, or face possible incarceration, counters this interest and could discourage new U.S. investment. He added that the bill's secret balloting provision signals a downturn in Nicaragua's efforts to increase government transparency. Santos downplayed rumors that Liberal Constitutional Party (PLC) leader/convicted money launderer Arnold Aleman will be soon be released, and noted our view that the FSLN would gain credibility by returning Aleman to jail. End Summary.

REQUEST FOR WASHINGTON MEETINGS
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[2](#). (C) Over lunch on December 19, FSLN Foreign Affairs Secretary Samuel Santos shared with DCM and polcouns that President-elect Daniel Ortega has chosen him to serve as Foreign Minister, although the news is not yet public. Santos commented that he has already started meeting with Foreign Minister Norman Caldera and expects to retain all of the Ministry's civil servants and perhaps even some of the qualified political appointees. He requested to meet with State Department officials before Ortega's inauguration on January 10, noting that a Washington session would underline that the "positive bilateral relations" initiated by Assistant Secretary Shannon's recent visit to Nicaragua continue on track. He offered that a Washington visit would "balance" Ortega's recent trips to Cuba and Venezuela, commenting that Ortega frequently refers to his meeting with A/S Shannon in his discussions with third-country officials and with the Sandinista leadership. (Note: On December 20, Samuel Santos, who was recently granted a visa waiver for his 212(a)(3)(B) ineligibility, was issued a one-year, multiple entry B1-B2 visa. End Note.)

INAUGURATION PLANS

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13. (C) The DCM noted that the U.S. presidential delegation attending the January 10 presidential inauguration will likely comprise three to four principals and that we will share the list once we receive it. Santos replied that the entire U.S. delegation will be welcome to attend the events under the new government's control, but that he cannot intervene on those activities sponsored by the Bolanos government. He added that the new government prefers a modest ceremony because excesses would be inappropriate for an impoverished country; he assured us, however, that there will be "no cutting corners on security matters."

CONCERNS OVER THE NATIONAL ASSEMBLY REFORM BILL
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14. (C) The DCM reiterated the need for the incoming Nicaraguan government to ensure that U.S. citizens, companies and organizations, and their investments in Nicaragua are duly protected. He remarked that the new ways and means law (Organic Law) that will allow National Assembly committees to summon foreign individuals and entities to testify on any matter it deems relevant, or face possible incarceration, is a draconian measure that could infringe on the rights of all Nicaraguan residents, including U.S. citizens and companies. He added that, if the law is implemented as it stands, U.S. and other foreign investors may look elsewhere, suggesting that companies like Dole, which has been embroiled for years in the Nemagon suits filed against it, would likely never set foot in Nicaragua if the law passes. Polcouns remarked that the fact that the Public Prosecutor's (fiscal) office and the judiciary are politicized makes the new law's provisions especially worrisome, citing the pro-Aleman fiscal's refusal to deliver the Panamanian court's summons to Aleman because he wishes to protect him. Santos, who conceded that Nicaragua's judiciary leaves much to be desired, urged us to become more engaged with the judiciary as a means to reform it.

15. (C) Santos, who claimed that President Bolanos had reneged on his assurances that he would not veto the ways and means bill, acknowledged that the secret ballot provision is "not ideal" and that the Assembly's citation privilege could be abused for political interests. He argued, however, that the legislature requires some sort of mechanism to summon individuals or entities possibly engaged in activities that hurt national interests. (Note: President Bolanos vetoed the National Assembly's ways and means bill ("Ley Organica") on December 18. Taking advantage of the absence of Nicaraguan Liberal Alliance (ALN)-affiliated Assembly President Eduardo Gomez, the FSLN and PLC caucuses immediately called for two extraordinary sessions on December 21 and 23 to override the veto. End Note.)

PROTECTING OUR CITIZENS AND INVESTMENT INTERESTS
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16. (C) The DCM then raised two cases involving U.S. citizens, the first the near lynching of Eric Volz (protect), who was arrested for his alleged involvement in the murder of his girlfriend in San Juan del Sur (Rivas department). Santos, who warned that he is unaware of the details of the case, shared that he had heard that the American may have been involved in an environmental NGO that had opposed a development project that included U.S. investment. The developers may have set up the American, suggested Santos. He then inquired whether we have been in touch with Police Chief Aminta Granera. DCM replied in the affirmative, adding that she has been helpful; however we found it prudent to issue a warden message to alert U.S. citizens in the area of possible protests associated with the case and that the case had drawn considerable U.S. Congressional interest.

17. (C) Santos grimaced, then reddened over news of our warden message. He opined that the San Juan del Sur case is likely "an isolated case," and urged us to avoid "unnecessary alarm." Santos then moved on to the subject of police

support, urging us to support Aminta Granera's efforts to modernize and professionalize Nicaragua's police forces through equipment donations and training. The DCM replied that we maintain constructive and cooperative relations with Granera and work closely with her, noting that recently an internal affairs consultant from the United States had visited Nicaragua to help determine how the police could improve their operations in this area. (Comment: Nicaraguans, especially those like Santos who are involved in the tourism industry, flinch over U.S. travel warnings or any other messages that could deter potential travelers to Nicaragua. Nonetheless, such warnings have at times have quickly remedied the situation in question. For example, soon after we issued a travel warning related to a wave of violent, potentially lethal student demonstrations, the FSLN called off the demonstrations. End Comment.)

¶8. (C) The DCM explained that the second case concerns stay orders (amparos) filed by an FSLN-associated judge on the Atlantic Coast against two U.S. firms who possess oil and gas exploration licenses for offshore sites. According to these firms, Sandinista and pro-FSLN Yatama politicians are also involved in blocking the exploration activities. Santos, who appeared alarmed over the situation, requested details on the case and promised to follow through. (Note: We will provide him with the necessary information. End Note.)

ALEMAN

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¶9. (C) To polcouns' reference to the growing chatter among Nicaragua's political class that Liberal Constitutional Party (PLC) leader/convicted money launderer Arnold Aleman will be soon be released and her observation that releasing Aleman would deal a serious blow to Nicaragua's anti-corruption efforts and could possibly affect some of our programs in Nicaragua, Santos was unequivocal: keeping Aleman in his current status is in the FSLN's best interests. However, he intimated that "surprises" are always a possibility and that the PLC has "surprised" the FSLN before. (Comment: According to ALN chief of staff Edmundo Leal, Ortega loyalist Manuel Coronel recently related to him that Aleman would be "freed in a few months" as part of Ortega's efforts to "reduce political tensions and increase governability." Leal remarked that Coronel is a member of Ortega's "camp", which is more "radical" than future First Lady Rosario Murillo's clique, whose members include Samuel Santos and Assembly Deputy Edwin Castro. The FSLN is likely to couch any eventual release of Aleman by blaming it on PLC machinations that caught the Sandinistas off guard. End Comment.)

¶10. (C) Regarding additional cabinet appointments, Santos confirmed that Horacio Brenes will be the next Minister of Finance, Industry, and Commerce (MIFIC). To our concerns that Lenin Cerna's wife, Marisol Castillo, who is mentioned as a candidate for Defense Minister, was involved in confiscations of properties owned by U.S. citizens and there is now talk of placing intelligence under the Defense Ministry, Santos clarified that while he has nothing to do with the appointments to the Ministries of Defense and Government, "Marisol is her own person" and independent from Lenin. He also acknowledged, however, that appointing Castillo would serve to "placate" Cerna. (Note: In April, 2002, Castillo was found subject to denial of a visa for entry in the United States under section 2225 of the Foreign Affairs Reform and Restructuring Act of 1998. End Note.)

ENERGY A HOT BUTTON ISSUE

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¶11. (C) Santos revisited the FSLN's interest in tackling Nicaragua's energy crisis even before the inauguration and mentioned that the new government will probably establish an Energy Ministry to deal with the issue. He explained that the new ministry would probably encompass a number of the current disparate energy-related entities to resolve the crisis and possibly serve to regulate the industry. Santos also mentioned that the FSLN is negotiating with Venezuela to construct an Atlantic Coast-Pacific Coast oil pipeline and a

refinery, most likely to be located on the Atlantic Coast.
(Comment: An Energy Ministry would consolidate Sandinista power over the sector. We can expect the Ortega government will solicit assistance from the Venezuelans to advance this project in addition to their other joint energy initiatives. End Comment.)

ABOUT CHAVEZ
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¶12. (C) On the topic of Ortega's relationship with Venezuelan President Hugo Chavez, Santos claimed he was the one who introduced Ortega to Chavez several years ago. Santos insisted that while the Ortega government will maintain close relations with Venezuela, it also seeks strong ties with the United States and does not intend to allow either relationship to affect the other. Acknowledging that Venezuela was a smaller "elephant," he said, "We don't want to get trampled between two elephants as we did in the past." Nicaragua, he explained, is an impoverished country that simply cannot afford to refuse the help of others. Of course, it will accept assistance so long as it does not interfere with Nicaragua's sovereignty, clarified Santos. (Note: We are beginning to hear reports of the presence of numerous Venezuelan advisors in the National Energy Institute and the Rural Development Institute, as well as the visit of GOV security officials linked to Chavez's visit to Managua for Ortega's inauguration. End Note.)

MANPADS - DESTROY THE JUNK, NEGOTIATE THE OTHERS WITHIN A REGIONAL SECURITY FRAMEWORK
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¶13. (C) Regarding the status of further MANPADS destruction, Santos opined that the MANPADS that are no longer in operative condition should be destroyed. As for the remainder, the new Nicaraguan government should negotiate their destruction within a broader regional security framework, he said.

COMMENT
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¶14. (C) A wealthy entrepreneur, Santos is among the more moderate, pragmatic Sandinistas who do not want to risk their business interests or return to the dark days of the Sandinista era of the 1980s. He privately admits the Sandinistas committed many errors in the past and claims his share of "collective responsibility." Santos bends over backwards to couch his words in a way he believes will be palatable to our sensitivities and deftly tiptoes around particularly contentious issues. Nonetheless, his rationalizations over the imperfections of Nicaragua's judiciary and indications that the Ortega government seeks to control all aspects of government and potentially society at large through draconian legislation, likely portend rougher waters ahead.
TRIVELLI